

# 4 Reasons I'll Never Invest in Bitcoin (and You Shouldn't Either)

This digital cryptocurrency belongs nowhere near your portfolio.



Sean Williams (TMFUltraLong)  
Jun 14, 2017 at 7:32AM

Chances are, you'll have a hard time finding an investment that's outperformed marijuana stocks, unless you've been keeping your eye on the digital cryptocurrency bitcoin. Since late March, bitcoin has risen from around \$900 to, at one point, north of \$3,000. In fact, over the past 60 trading sessions, the price of the digital currency has risen three-quarters of the time.

## Here's why bitcoin is skyrocketing

Why is bitcoin soaring as much as it is? It's tough to say with any certainty given the decentralized nature of the currency, but it could have to do with a few key factors.



IMAGE SOURCE: PIXABAY.

To begin with, bitcoin's visibility is growing. Yes, its surging value has improved its media visibility, but last month's WannaCry ransomware attack certainly provoked bitcoin's emergence into the media spotlight. WannaCry was malware that locked up users' computers until they paid a ransom - and the only form of payment accepted by the developers of the malware was bitcoin.

Another key point is that Japan declared the cryptocurrency to be legal tender earlier this year. As with other currencies, it meant bitcoin exchanges would have to comply with anti-money-laundering regulations in Japan, but it also opened the door to new investors and helped legitimize bitcoin as a potentially valid form of payment.

We may even be able to point to President Trump and his cabinet for bitcoin's astronomical rise in recent months. Trump has favored a weaker U.S. dollar, which would typically promote U.S. exports. However, a weak dollar could also send investors scurrying toward finite assets that hold their value, like gold, and perhaps even bitcoin. The total number of bitcoins is capped at 21 million, which could have some investors viewing bitcoin as an alternative to gold (since gold is a finite resource).

Likewise, the cryptocurrency's rise could be fueled by support from members of Trump's Cabinet, including budget director Mick Mulvaney, who's been nicknamed the "bitcoin congressman" by some bitcoin supporters.



IMAGE SOURCE: GETTY IMAGES.

### **Why I'll never buy bitcoin**

As for this Fool, you won't catch him anywhere near the "buy" button when it comes to bitcoin. Here are four reasons I'm keeping my distance from bitcoin -- and all cryptocurrencies, for that matter -- and would suggest you do the same.

#### **1. Its anonymity is its own worst enemy**

Without beating around the bush, one of the greatest allures of bitcoin is that it's not backed by a government, and it allows its users to remain somewhat anonymous, even though their transactions are stored within blockchains. This "investor inconspicuousness" is a big reason why bitcoin has done as well as it has over the past couple of years.

However, this anonymity can also support fraud and other crimes. WannaCry is just one example of what happens when the cryptocurrency falls into the wrong hands. If global governments discover that criminals or terrorists are using bitcoin to fund their activities -- and at present there are very few checks and balances in place to weed out this sort of behavior -- it could prompt a crackdown. If governments around the world instituted regulations that made it difficult to own bitcoin, we could see prices plunge.

Likewise, added government involvement would reduce the prized invisibility that bitcoin holders love so much, which could just as well create an exodus out of bitcoin, hurting its value.



IMAGE SOURCE: GETTY IMAGES.

## 2. Security is a major concern

Another major problem with bitcoin is that its current and future security are causes for concern. One type of security concern was described above: the potential for an attack on the actual networks that handle bitcoin. But there's considerably more to worry about than just cyberattacks.

For example, a 2015 [Forbes article](#) describes the problem of ensuring that bitcoin's networks don't become centralized, which would make bitcoin more vulnerable to a cyberattack and/or fraudulent activity. The network is currently decentralized because it's run by numerous miners (the people and businesses that run the computers and maintain the system behind bitcoin). These miners are currently paid by block rewards and transaction fees. However, block rewards account for practically all of their revenue for the time being. Over time, these block rewards will decrease in value, meaning that if transaction fees don't increase, the miners could stop profiting, and bow out. Doing so could centralize bitcoin, since there would be fewer miners, and make it more vulnerable to attack.

Additionally, a centralized network could allow one bad apple, or a small group of bad apples, who control a large percentage of bitcoin to disrupt the market.





IMAGE SOURCE: GETTY IMAGES.

### 3. There aren't any reasonable ways to invest in bitcoin

The third issue I have with bitcoin is there aren't any reasonable "safe" ways to invest. Choose to invest on a no-name exchange, and you risk losing your shirt to low liquidity or hackers.

Back in 2014, Mt. Gox, a Japan-based exchange that was handling about 70% of all bitcoin transactions at the time, filed for bankruptcy. In its February 2014 bankruptcy filing, Mt. Gox listed 850,000 bitcoins that had been hacked, worth about \$450 million at the time, and said it had also lost the \$27 million in cash it purportedly had in its coffers.

Another option that's perhaps slightly more liquid than an off-name exchange is the **Bitcoin Investment Trust** ([NASDAQOTH:GBTC](https://www.btcit.com/)), an ETF operated by Grayscale Investments that owns 173,594 bitcoins, according to its shares outstanding and bitcoin-per-share conversion information on its website. However, based on bitcoin's closing price on Monday, June 12, and Bitcoin Investment Trust's market cap of \$661 million, there's nearly a [50% premium](#) on this ETF compared to what the bitcoin it owns is actually worth. And as icing on the cake, management charges an audaciously high 2% expense ratio.

[Thanks, but no thanks.](#)



IMAGE SOURCE: GETTY IMAGES.

#### 4. Most people don't understand it

Finally, and perhaps most importantly, a lot of people really have no clue what bitcoin is. I know what you might be thinking: "Great, I can get in ahead of everyone else!" But a misunderstanding about bitcoin, or a complete lack of understanding, could actually yield terrible consequences.

Want an example? How about heightened volatility like we're witnessing now, or perhaps back in 2013-2014 in the bitcoin marketplace? People might get the broader-stroke concept that bitcoin is a cryptocurrency, but they don't understand the bigger picture of how it's challenging monetary theory, or that bitcoin proponents are looking at new ways to secure data and currency transmission. If investors don't understand these concepts or the risks involved, we could see another [Tulipmania-type collapse](#).

Simply put, at this point, the risks far, *far* outweigh the rewards.

#### Bitcoin is overhyped: 10 better buys for you now

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\*Stock Advisor returns as of March 5, 2018

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#### AUTHOR



Sean Williams  
([TMFUltraLong](#))

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**Bitcoin Invest...**  
**NASDAQOTH:GBTC**

\$15.74 **\$-1.42 (-8.27%)**

# This Blockchain Rumor Could Be Huge for Qtum

If true, Qtum could soon be partnered with this well-known global coffee chain.



Sean Williams (TMFUltraLong)  
Mar 7, 2018 at 9:21AM

In case you haven't noticed, cryptocurrencies performed pretty darn well in 2017. In fact, the better than 3,300% gain in aggregate market cap last year made the ridiculously strong 20% gains in the **S&P 500** look like a flat line in a side-by-side comparison. It's possible investors will never see an asset class deliver returns like this again over the course of 12 months.

At the heart of the rally in digital currencies is [blockchain technology](#). For those unfamiliar, blockchain is the digital and decentralized ledger that underlies most virtual currencies and is responsible for recording all transactions. Blockchain first hit center stage when bitcoin debuted in 2009, and it has seemingly evolved and matured with each new cryptocurrency to hit the market since.

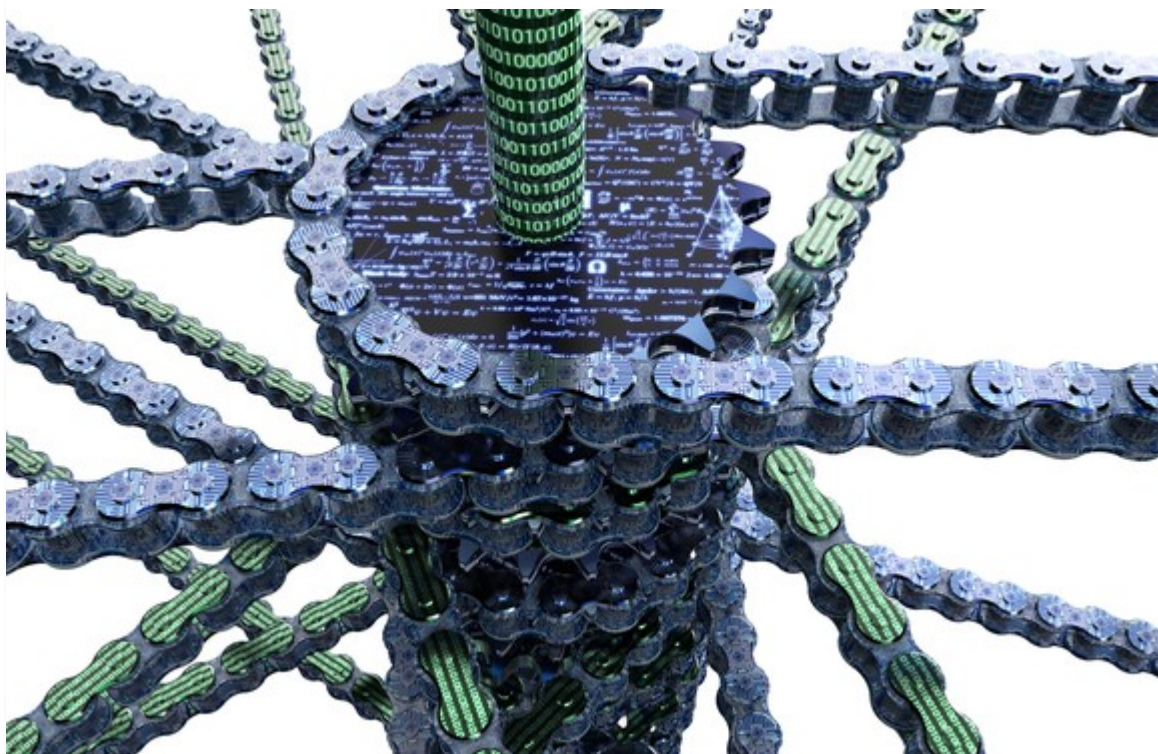




IMAGE SOURCE: GETTY IMAGES.

Why the buzz over blockchain? It mostly has to do with perceived inefficiencies with the current banking system, such as exorbitant transaction fees and long processing times. Blockchain aims to resolve these issues by dramatically speeding up validation and settlement times, as well as removing banks from the equation as middlemen, thusly lowering transaction costs.

Beyond the financial industry, blockchain has [non-currency applications](#), too. Blockchain is potentially the perfect technology, given its transparency and immutability (i.e., unchanging nature), to help oversee supply chains, manage digital identifications, or even log medical records.

### **Qtum: Emerging from bitcoin's and Ethereum's shadow**

While cryptocurrencies like bitcoin and Ethereum, which have the largest respective market caps, have traditionally received most of the attention and glory, it's other virtual currencies that are emerging from their shadows and really [creating a lot of buzz](#). One such cryptocurrency is the Singapore-based Qtum.

What makes Qtum unique is that its blockchain combines bitcoin's infrastructure with Ethereum's Virtual Machine, then adds a few proprietary twists. In other words, it takes the most popular aspects of bitcoin's currency-only focus, then takes the best attributes of Ethereum's predominantly non-currency-focused blockchain, and adds factors that'll make its blockchain unique.



IMAGE SOURCE: GETTY IMAGES.

To begin with, Qtum relies on smart contracts like the Ethereum blockchain. Smart contracts are protocols that help with validating, facilitating, and enforcing the negotiation of a contract. Think of them as legally binding parameters that are completely customizable by businesses that help to

guide the execution of actions, such as when money can be spent, or when new products can be ordered or shipped.

Secondly, Qtum's network, despite the expectation that it'll be regularly upgraded, will remain fully compatible with bitcoin gateways and Ethereum contracts. This means businesses that have already incorporated Ethereum smart contracts won't have to worry about integration issues if they were to switch over to Qtum's blockchain.

Lastly, Qtum is attempting to make it easier than ever to use its blockchain, with Simple Payment Verification protocols being used in lite wallets via mobile applications. There aren't too many blockchains to offer a secure and decentralized mobile application as of yet.

### **The Qtum Foundation has been a busy bee**

Of course, Qtum's blockchain technology is only meaningful if it can land brand-name partners and succeed in real-world testing. In January, Qtum [landed two such partners](#).



IMAGE SOURCE: GETTY IMAGES.

First, it announced a partnership with 360 Finance, a subsidiary of Qihoo 360. The privately held Qihoo 360 is the company behind the 360 Search engine in China, which has the third-highest search market share in the country. This partnership will focus on developing next-generation smart contracts, consensus models, and blockchain software security.

Just a day after its announced partnership with 360 Finance, Qtum partnered with Baofeng Bokocloud to achieve the world's first consensus network service. Baofeng's media player in China has more than 200 million active users, making it the perfect platform to use Qtum's blockchain to strengthen copyright protections. Baofeng's Bokocloud service also plans to help Qtum dramatically expand the number of nodes on its blockchain, which would increase the capacity of its network.

But even these partnerships could take a back seat to a rumored tie-up that also gained steam in January and has yet to be confirmed or denied.

### Could Qtum land a whale?

In mid-January, an administrator of the official Telegram Channel of Qtum announced that it would be partnering with global coffee giant **Starbucks** ([NASDAQ:SBUX](https://www.nasdaq.com/markets/stocks/quotes/NASDAQ:SBUX)), although no specifics were offered. Though the admin, when questioned, responded "Yes, it's true. More details coming soon," no additional details have been offered via an official announcement or on Twitter. However, it is worth noting that Qtum has previously announced partnerships via its Telegram group prior to making an official announcement, according to various tech blogging websites.



IMAGE SOURCE: STARBUCKS.

Why might Starbucks be interested in utilizing Qtum's blockchain technology? To begin with, blockchain can be used to make supply chains more transparent. Starbucks relies on its worldwide vendors to supply consistent grades of coffee. However, it's not always easy to assess if those quality grades are being consistently met from field to retail store. Blockchain, being transparent and immutable, would make it easy for Starbucks to track coffee beans from the field to their final destination. What's more, it would also be a lot easier for Starbucks to locate supply chain inefficiencies with blockchain as opposed to traditional paper-based tracking systems.

Another substantial benefit is that it could dramatically improve cash flow to farmers in underbanked regions of the world. Assuming farmers can gain access to Qtum's application via a mobile device or personal computer, the delivery of beans could result in an almost instantaneous payment to the farmer, as opposed to waiting weeks or months to be paid. Farmers with improved cash flow may have the ability to upgrade equipment or improve crop yields to Starbucks' advantage.

Though this is nothing more than an unconfirmed rumor at this point, it has the potential to be an absolute game-changer for Qtum, if true. Whether you're a blockchain enthusiast, Starbucks shareholder, or Qtum investor, it's worth keeping an eye on this rumor to see if it's proven true or eventually debunked.

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	<b>Starbucks</b> <a href="#">NASDAQ:SBUX</a> \$57.03 (0.00%)
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